

VZCZCXYZ0030  
OO RUEHWEB

DE RUEHJMA #0868 1311218  
ZNR UUUUU ZZH ZUI RUEWMCF2400 1311230  
O 111218Z MAY 07  
FM AMCONSUL JERUSALEM  
TO RUEHC/SECSTATE WASHDC0000  
INFO ARAB ISRAELI COLLECTIVE  
RHEHNSC/NSC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHBS/USEU BRUSSELS

UNCLAS JERUSALEM 000868

SIPDIS

SENSITIVE  
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR  
WILLIAMS/SHAMPAGNE/BELGRADE; PLEASE PASS TO NSC FOR  
ABRAMS/DORAN/WATERS; TREASURY FOR  
SZUBIN/LOEFFLER/NUGENT/ADKINS; PLEASE PASS TO USAID FOR  
KUNDER/MCCLLOUD/BORODIN

E.O. 12958: N/A

TAGS: [EFin](#) [EAID](#) [KWBG](#) [ECON](#) [PHUM](#)  
SUBJECT: WORLD BANK ESSP STILL STRUGGLING TO DELIVER  
PHARMACEUTICALS

REF: 2006 JERUSALEM 4232

**¶11.** (SBU) SUMMARY: THE WORLD BANK'S EMERGENCY SERVICES SUPPORT PROGRAM (ESSP) TEAM MET WITH DONOR COUNTRY REPRESENTATIVES APRIL 26 TO DISCUSS THE PROGRAM'S CURRENT STATUS, INCLUDING ITS IMPACT AND IMPLEMENTATION. WORLD BANK OFFICIALS SAID THAT PRESIDENT ABBAS HAS DESIGNATED PLO ECONOMIC AFFAIRS DEPARTMENT HEAD SALAM FAYYAD TO SIGN AGREEMENTS WITH THE WORLD BANK. BANK OFFICIALS CITED DELAYS IN THE PROCUREMENT PROCESS AS THE CENTRAL REASON BEHIND THE PROGRAM'S SLUGGISH IMPLEMENTATION IN 2007, AS ONLY 29 PERCENT OF ESSP FUNDS HAD BEEN DISBURSED AS OF APRIL 26. END SUMMARY.

**¶12.** (SBU) THE ESSP WAS RE-LAUNCHED IN MID-2006 AS ONE OF THE WINDOWS OF THE TIM (SEE REFTEL). NINE DONORS, INCLUDING AUSTRIA, BELGIUM, THE EUROPEAN COMMISSION, FRANCE, NORWAY, SPAIN, SWITZERLAND, SWEDEN, AND THE UK, HAVE PLEDGED USD 62 MILLION TO THEIR LATEST PHASE OF THE TIM. THE ESSP IS FINANCING 50 PERCENT OF THE NON-SALARY BUDGETS OF THE MINISTRIES OF EDUCATION (MOE), HEALTH (MOH), AND SOCIAL AFFAIRS (MOSA); IN ADDITION TO THAT OF THE PALESTINIAN WATER AUTHORITY, THE PALESTINIAN ENERGY AUTHORITY, AND THE COASTAL MANAGEMENT WATER UTILITY. ACCORDING TO BANK OFFICIALS, AS OF APRIL 15, ONLY USD 16.4 MILLION (29 PERCENT) OF THE AVAILABLE FUNDS HAVE BEEN DISBURSED. THE BANK PROJECTS THAT 71 PERCENT WILL BE DISBURSED BY THE END OF JUNE. END SUMMARY.

**¶13.** (SBU) WORLD BANK WB/G DIRECTOR DAVID CRAIG CONFIRMED THAT PA PRESIDENT ABBAS DESIGNATED PLO ECONOMIC AFFAIRS DEPARTMENT HEAD SALAM FAYYAD TO SIGN, ON BEHALF OF THE PLO, ALL WORLD BANK GRANT AGREEMENTS INSTEAD OF PA PRESIDENCY CHIEF OF STAFF RAFIQ HUSSEINI. DONORS AT THE MEETING URGED THAT FAYYAD ALSO SIGN CONTRACTS WITH SUPPLIERS, INSTEAD OF HUSSEINI, IN ORDER TO SPEED-UP PROCUREMENT.

STRUGGLING WITH THE DELIVERY OF PHARMACEUTICALS

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**¶14.** (SBU) ESSP TEAM LEADER EILEEN MURRAY SAID THAT THE ESSP'S DISBURSEMENT LEVELS HAVE BEEN LOWER THAN ANTICIPATED BECAUSE OF DELAYS IN PROCUREMENT AND BID EVALUATIONS BY THE MOH. A USD 8.5 MILLION INTERNATIONAL COMPETITIVE BIDDING (ICB) PROCUREMENT PACKAGE FOR DRUGS HAD BEEN DELAYED BY THE PA MOHS REFUSAL TO APPROVE THE PROCUREMENT OF INDIAN-MANUFACTURED DRUGS, WHICH THEY BELIEVE ARE NOT OF THE HIGHEST QUALITY. DFID DIRECTOR DAVID HALLAM EXPRESSED HIS

FRUSTRATION WITH THE SLUGGISH ESSP IMPLEMENTATION, STATING THAT THE BANK SHOULD FIND FLEXIBLE MECHANISMS TO QUICKLY OVERCOME THE PA MINISTRIES' BUREAUCRATIC HURDLES.

¶15. (SBU) CRAIG STATED THAT HE HAD RAISED WITH THE MOH THE OPTION OF HIRING AN OFF-SHORE DRUG PROCUREMENT AGENT TO ASSIST THE PA IN PROCURING DRUGS WHILE IT BUILDS INTERNAL PROCUREMENT CAPACITY, BUT THAT THE MOH HAD REFUSED THE SUGGESTION, CITING THE COMMISSION COSTS FOR SUCH AN AGENT.

¶16. (SBU) BANK OFFICIALS STATED THAT THEY HAVE BEGUN INITIAL DISCUSSIONS WITH DONORS AND THE PA ABOUT THE ESSP'S SECOND PHASE TO ENSURE THE CONTINUED PROVISION OF ESSENTIAL SERVICES TO THE PALESTINIANS FOR ANOTHER 6-12 MONTHS. BANK STAFF VOICED INTEREST IN NOT CONTINUING DRUG PROCUREMENT IN THE SECOND PHASE, GIVEN THE MANY PROBLEMS DURING THE FIRST PHASE. DONORS URGED THE BANK TO WORK THROUGH THE DRUG PROCUREMENT ISSUES SINCE A COORDINATED DONOR APPROACH IS VITALLY NEEDED.

¶17. (SBU) CRAIG NOTED A FURTHER OBSTACLE - THAT MOH PROCUREMENT OFFICES IN THE WEST BANK AND IN GAZA HAVE DEVELOPED SEPARATE PROCUREMENT STANDARDS, REQUIREMENTS, AND SPECIFICATIONS FOR EACH OF THE TWO AREAS, MAKING UNIFORM DRUG PROCUREMENT MORE COMPLICATED AND TIME CONSUMING.

¶18. (SBU) BANK OFFICIALS STATED THAT EUROPEAN CONSULTANTS WOULD BE CONDUCTING A TWO-WEEK INSPECTION AND AUDIT OF 2006-2007 ESSP OPERATIONS, AS PART OF AN EVALUATION OF THE TIM. THE AUDIT REPORT SHOULD BE AVAILABLE IN JUNE, HE SAID.

WALLES